

## Message Text

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PAGE 01 STATE 116613

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P 121952Z MAY 76

FM SECSTATE WASHDC

TO USDEL MTN GENEVA PRIORITY

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FOLLOWING REPEAT SAO PAULO 1076 ACTION TRSY INFO SECSTATE  
USINFO BRASILIA RIO DE JANEIRO VOA MIAMI PANAMA DTD 11 MAY

QTE

UNCLAS SAO PAULO 1076

USIAC

ATTN: IOP/M, IPS, IBS, RIM, ILA

STATE FOR ARA/PAF

TREASURY FOR JERRY NEWMAN

E.O. 11652: NA

TAGS: OVIP, PFOR, ETRD, U.S., BR, CI, XM, GATT

SUBJ: MEDIA REACTION REPORT-SIMON LATAM TRIP-MAY 11 PART II

1. PRESTIGIOUS JORNAL DA TARDE (O ESTADO'S EVENING AFFILIATE)  
DEVOTES MAY 11 FULL INSIDE PAGE TO SIMON VISIT. HEADED "A  
SOLUTION FOR BRAZILIAN EXPORTS TO THE U.S.," STORY REPORTS  
BRAZIL'S AGREEMENT TO MODIFY PRESENT SYSTEM OF EXPORT SUBSIDIES;  
U.S. CANCELLATION OF SURTAX INCREASE ON BRAZILIAN SHOES AND SOYBEAN  
IMPORTS; SUSPENSION OF U.S. COUNTERVAILING DUTIES ON BRAZILIAN  
LEATHER BAGS; AND ESTABLISHMENT OF TRADE CONSULTATION  
MECHANISM.

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PAGE 02 STATE 116613

2. STORY CONTINUES, "THE ISSUE OF U.S. DIRECT INVESTMENTS

IN BRAZIL WAS ALSO DISCUSSED DURING THE MEETING BETWEEN SIMON AND BRAZILIAN MINISTERS," AND ADDS: "ASIDE FROM THE PROBLEM OF SUBSIDIES, ALMOST NOTHING WAS ACHIEVED (BY BRAZILIAN GOB) THROUGH SIMON, UNLESS THE COMMUNIQUE TO BE RELEASED TODAY COMES OUT WITH SURPRISING CONCRETE COMMITMENTS."

3. JORNAL DA TARDE'S ECONOMIC EDITOR TITLES ARTICLE "SUBSIDY, A MATTER OF SEMANTICS?", AND COMMENTS: "NO MATTER HOW SKILLED BRAZILIAN EXPERTS ARE, IT IS BECOMING INCREASINGLY DIFFICULT TO CONVINCE AMERICANS, EUROPEANS, AND THE JAPANESE THAT THE CREDIT OF TAXES CONCEDED TO BRAZILIAN EXPORTERS DOES NOT CONSTITUTE A FORM OF SUBSIDY, WHICH IS FORBIDDEN BY THE RULES OF INTERNATIONAL TRADE... THE QUESTION NOW IS WHAT SOLUTION THE GOB WILL ADOPT. AT FIRST GLANCE THERE ARE THREE POSSIBILITIES FOR THE REPLACEMENT OF THE PRESENT CREDIT OF TAXES; 1) EXEMPTION OF SOCIAL SECURITY COSTS THAT LOAD PAYROLLS OF BRAZILIAN FIRMS; 2) CONCESSION OF CREDITS WITH FAVORABLE INTEREST RATES AND TERMS TO EXPORTERS; 3) INSDWITUTION OF MULTIPLE EXCHANGE RATES. IF GOB CHOOSES THE SECOND OPTION, WOULD IT NOT BE WELCOME SUGGESTION HINTED AT BY SIMON HIMSELF?"

4 INFLUENTIAL WEEKLY NEWSMAGAZINE VEJA (COVER DATE MAY 5) CARRIES STORY ON RECOVERY OF BRAZILIAN TRADE BALANCE IN LAST THREE MONTHS REPORTING, "AT THE TREASURY DEPARTMENT, IT IS HOPED THAT SECRETARY WILLIAM SIMON, WHILE IN BRAZIL, CONVINCES XINISTER SIMONSEN TO ELIMINATE BRAILIAN SUBSIDIES TO ITS SOYBEAN EXPORTS, DEFENDING ITS COMPETITIVENESS ONLY THROUGH DEVALUATIONS OF THE CRUZEIRO, WHICH IS PERHAPS THE ONLY MEASURE THAT DOES NOT INVOLVE SUBSIDIES. SIMONSEN, AFTER ALL, APPEARS NOT TWV HAVE CLOSED THE DOORS TO SUCH AN OPTION."

5. BUSINESS DAILY GAE  
TA MERCANTIL (AY 11) COVERS  
PROMINENTLY, EMPHASIZES SAME STORIES OTHER SAO PAULO PAPERS. FRONT PAGE HEADLINE "AN OPTION OF US DOL25  
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PAGE 03 STATE 116613

BILLION?" REFERS TO "HIGHLY PLACE SOURCE'S" INFORMATION THAT A LIST OF PROJECTS TOTALING THAT SUM WAS SUBMITTED TO SIMON FOR EXAMINATION". THERE ARE TWO GOB OPINIONS ON HOW MONEY WILL BE RAISED: ON ONE SIDE; SIMONSEN AND VELLOSO SUPPPSEDLY FAVOR DIRECT INVESTMENTS; SEVERO GOMES AND AZEREDO SILVEIRA, HOWEVER, FAVOR ATTRACTING INVESTMENTS FROM WESTERN MONEY MARKETS. COMMENTATORS WRITE THAT, "THE MOST DIFFICULT PHASE

OF U.S. SUPPORT TO BRAZILIAN DEVELOPMENT WILL BE  
NEGOTIATED IN THE ROOMS OF THE U.S. CONGRESS COMMITTEES,  
IN WASHINGTON,"... ON THE STANDPOINT OF BILATERAL  
TRADE, SOURCES IN BRASILIA ADMIT THAT WHAT IS AT STAKE  
IS NOT THE DANGER BRAZILIAN SCISSORS, CASTOR OIL OR  
EVEN SUGAR REPRESENT FOR ITS MAJOR TRADING PARTNER  
BUT THE FACT THAT SECTION 301 OF THE TRADE ACT ALLOWS USG  
TO ADOPT RETALIATORY MEASURES AGAINST COUNTRIES THAT  
SUBSIDIZE THEIR EXPORTS TO THE DETRIMENT OF U.S.  
PRODUCERS."

6. MAY 10 JORNAL DA TARDE ATTRIBUTED SIMON WITH  
STATEMENT THAT 'WHERE BRAZIL GOES, SO WILL GO THE REST OF  
LATIN AMERICA' THUS "PLAGIARIZING RICHARD NIXON'S  
WORDS." SAME STATEMENT WAS PUBLISHED BY LIBERAL  
FOLHA DE SAO PAULO MAY 9 AND CONSERVATIVE FOLHA DA TARDE  
MAY 10. JORNAL DA TARDE ADDED THAT SIMON, "ONCE  
AGAIN, SAID THAT BRAZIL IS 'THE LAND OF OPPORTUNITIES'  
FOR U.S. INVESTORS, WHO FIND A GOOD MARKET, ABUNDANT  
AND CHEAP LABOR, NATURAL RESOURCES, POLITICAL STABILITY  
AND AN OPEN AND VERY DYNAMIC ECONOMIC STRUCTURE."

7. MAY 11 GAZETA MERCANTIL ALSO QUOTES A SIMON ADVISOR  
ON HUMAN RIGHTS: "IN CHILE, TEN THOUSAND PEOPLE DISAPPEARED,  
OUT OF A POPULATION OF 9 MILLION. IF THIS HAPPEND IN  
BRAZIL, WE WOULD HAVE ABOUT 100 THOUSAND DEATHS, WHICH  
HAS NOT HAPPENED. THEREFORE, WE WERE EXTREMELY FRANK  
WITH THE CHILEANS (ON THIS MATTER). COPMAN UNQTE KISSINGER

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